DOCKET NO.: 020071-WS - Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

WITNESS: **Direct Testimony of Frances J. Lingo,** Appearing on Behalf of the Staff of the Florida Public Service Commission.

DATE FILED: June 16, 2003

DIRECT TESTIMONY OF FRANCES J. LINGO

Q. Would you please state your name and business address for the record?

A. My name is Frances J. Lingo. My business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

Q. By whom are you employed, and in what capacity?

A. I am employed by the Florida Public Service Commission (Commission) as an Economic Analyst in the Bureau of Certification, Economics and Tariffs in the Division of Economic Regulation.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since June 12, 1989.

Q. Would you please state your educational background and experience?

A. I received a Bachelor of Science Degree with a major in Accounting, and a Bachelor of Science Degree with a major in Economics, both from The Florida State University, in August 1983.

From October 1983 to May 1989, I was employed by Ben Johnson Associates, Inc. (BJA), an economic and analytic consulting firm specializing in the area of public utility regulation. During my employment at BJA, I performed research and analysis in more than 75 utility rate proceedings, assisting with the coordination and preparation of exhibits. I also assisted with the preparation of testimony, discovery and cross-examination regarding rate design issues.

In particular, I prepared embedded cost-of-service studies, made typical bill comparisons and examined local service rate and cost relationships. I studied residential and general service rates, customer charges, management decision-making processes, slippage in the engineering and construction of

nuclear power plants, nuclear versus coal plant costs and seasonal load and usage patterns.

In June 1989, I joined the Commission as a Regulatory Analyst II. In June 1990, I was promoted to Regulatory Analyst III; in October 1991, I was promoted to Regulatory Analyst IV; and in April 1996, I was promoted to my current position of Economic Analyst.

Q. Would you please describe your experience and duties at the Commission?

A. Yes. My experience at the Commission includes but is not limited to:

(a) reviewing water and wastewater cases to identify economic and rate issues associated with rate structure, repression and forecasted billing determinants;

(b) performing accounting, engineering, economic and statistical analysis on those issues, and presenting recommendations (and expert testimony when necessary) on those issues;

(c) developing and promoting liaison activities with other governmental agencies, including the Department of Environmental Protection, the Water Management Districts (WMDs), and other government agencies;

(d) reviewing and evaluating staff-assisted rate case (SARC) filings, auditing utilities' books and records, developing rate base, rate of return and revenue requirements, and preparing and presenting recommendations in cases in which I am involved;

(e) conducting overearning investigations; and

(f) conducting research and other duties relating to water and wastewater utilities subject to the Commission's jurisdiction.

In addition, I have been a faculty member of the National Association of Regulatory Utilities Commissioners (NARUC) Annual Regulatory Studies Program at Michigan State University since 1998, and a faculty member of the Eastern Utility Rate School since 1997, lecturing on water pricing concepts.

Q. Have you previously filed testimony or testified before this Commission on behalf of Commission Staff?

A. Yes. In January 1993, I testified in the show cause portion of Docket No. 900025-WS regarding the application for a staff-assisted rate case by Shady Oaks Mobile-Modular Estates, Inc. (Shady Oaks). In August 1994, I testified in Docket No. 930944-WS regarding the revocation of the water and wastewater certificates of Shady Oaks. In October 1996, I testified in Docket No. 950615-SU regarding the application for approval of a reuse project plan and an increase in wastewater rates by Aloha Utilities, Inc. In May 2001, I filed testimony in Docket No. 991437-WU regarding the application for an increase in water rates by Wedgefield Utilities, Inc. And in November 2001, I filed testimony in Docket No. 010503-WU regarding the requested rate increase of Aloha Utilities, Inc.

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to:

(a) discuss general background information regarding the counties and systems included in the filing of Utilities, Inc., of Florida;

(b) discuss the utility's request to implement county-specific single tariff pricing in Pasco and Seminole Counties as shown in the utility's Minimum Filing Requirements (MFRs), and to make recommendations regarding this request;

(c) recommend the appropriate billing determinants for the Marion County bulk wastewater customer shown in Schedule E-2 of the utility's MFRs;

(d) explain the Memorandum of Understanding (MOU) that exists between the Commission and the five Water Management Districts (WMDs), and how the Commission and the WMDs work together in cases;

(e) discuss the appropriate design of conservation-oriented water rates for each county, and discuss whether inclining-block rates are appropriate as addressed in the testimony of Staff witnesses Jenkins and Yingling;

(f) discuss the concept of reallocating a portion of wastewater systems' revenue requirements to the corresponding water systems, and recommend whether it is appropriate to reallocate revenue requirements in this case;

(g) analyze UIF's requested rate design for its water systems;

(h) develop a series of illustrative rate designs for the water systems, and make recommendations based upon my analysis;

(i) discuss the wastewater rates in Marion County; and

(j) discuss whether repression adjustments to reflect customers' anticipated response to price changes and rate structure changes are appropriate.

Q. Have you prepared exhibits in this case?

A. Yes, I have prepared 8 exhibits. The exhibit numbers and titles are listed below.

Exhibit No.	Exhibit Title
FJL-1	Utilities Inc. of Florida: Current Water Rate Design
FJL-2	Utilities, Inc. of Florida: Proposed Water Rate Design
FJL-3	Utilities, Inc. of Florida: Current Wastewater Rate Design
FJL-4	Utilities, Inc. of Florida: Proposed Wastewater Rate Design
FJL-5	Utilities, Inc. of Florida: Proposed Base Facility Charge Differentials
FJL-6	Utilities, Inc. of Florida: Increase in Water System Cost per Customer Due to Change to Monthly Billing
FJL-7	Utilities, Inc. of Florida: Analysis of Requested Rate Design - Water Systems
FJL-8	Utilities, Inc. of Florida: Illustrative Water Rate Design

Q. Would you please discuss briefly the general background information regarding this utility?

A. Yes. Utilities, Inc., of Florida (UIF) is a class A water and wastewater utility providing service in Marion, Orange, Pasco, Pinellas and Seminole counties. According to Exhibit (FS-1) Schedule No. 1 attached to the testimony of utility witness Frank Seidman, UIF served an average of 6,801 water customers and 2,463 wastewater customers in its combined five-county service area during the historical 2001 calendar year test period.

According to utility witness Seidman, in Marion county, the utility has

two systems: Golden Hills (including the interconnected Crownwood system) which provides water service, and Crownwood which provides wastewater service. In Orange county, the utility has two water systems: Crescent Heights and Davis Shores. In Pasco county, the Summertree and Wis-Bar systems provide both water and wastewater service, while two other systems - Buena Vista and Orangewood - provide water-only service. The sole system in Pinellas county is Lake Tarpon, a water-only system.

Finally, with respect to Seminole county, the utility has nine systems consisting of two water and wastewater systems and seven water-only systems. The Weathersfield system (including Trailwood and Oakland Hills) and Ravenna Park/Lincoln Heights systems provide water and wastewater service. The Little Wekiva, Park Ridge, Phillips, Crystal Lake, Bear Lake, Jansen and Oakland Shores systems provide water-only service.

Q. Let's begin with the single tariff pricing portion of your testimony. Have you read the prefiled testimony of utility witness Mr. Steven Lubertozzi?

A. Yes, I have.

Q. Does Mr. Lubertozzi discuss or support county-specific single tariff pricing by the utility in his testimony?

A. No, he does not. However, a review of MFR Schedules E-1 and E-2 indicate that the utility is requesting county-specific single tariff pricing for its systems in Pasco and Seminole Counties.

Q. Would you please explain the concept of county-specific single tariff pricing?

A. County-specific single tariff pricing aggregates the costs, investments, rate structures and customers of the utility across the multiple systems

located in the county for all water facilities and computes an average water rate. This average rate is typically expressed in terms of a uniform base facility charge per equivalent residential connection and a uniform gallonage charge. Uniform wastewater rates are calculated in a similar manner.

Q. What are the benefits of moving to county-specific single tariff pricing (STP)?

A. Benefits of STP may include, but are not limited to: 1) spreading costs over a greater customer base in order to promote rate levelization and minimize rate shock in future cases; 2) a consolidation of administrative functions, resulting in economies of scale and reduced expenses; and 3) reduced expenses associated with regulatory reporting requirements.

Q. What factors should be considered when moving from multiple rate structures to single tariff pricing?

A. In my opinion, the most important factor to consider is whether the move to single tariff pricing unfairly penalizes the customers of one system or systems at the benefit of other customers. Therefore, a subsidy analysis is required. This analysis is not merely important, but essential. Chapter 367.081(2)(a)1, Florida Statutes, states that the Commission shall fix rates which are just, reasonable, compensatory and not unduly discriminatory. I do not believe that a determination can be made about whether potential rates are unduly discriminatory unless a subsidy analysis is performed.

Q. Isn't there some level of subsidization inherent in any rate design?

A. Yes, that is correct. Any rate design involves trade-offs among competing policy objectives. However, if a utility has requested some form of rate consolidation or STP, I believe an analysis of the subsidization

across the systems involved is essential. Otherwise, it is not possible for the Commission to make a determination whether the subsidization results in rates that are unduly discriminatory.

When performing the subsidization analyses, however, one should also remember that the water and wastewater industry is very capital intensive, and plant additions to satisfy environmental requirements are common. It is possible that a system which subsidizes another system in one year will, after plant additions, receive a subsidy in later years. Therefore, the subsidy analysis should include an analysis of the anticipated plant expansions and customer growth over the utility's relevant planning period.

Q. Has the Commission approved county-specific single tariff pricing in prior proceedings?

A. Yes. The Commission has approved county-specific single tariff pricing (also referred to as rate consolidation or county-wide rates) since at least 1983. Cases in which county or statewide pricing has been approved as an appropriate rate structure include Dockets Nos. 13014, 960444-WU and 930880-WS.

Q. What decision criteria has been included in the analysis in these cases?

A. The Commission has considered factors including but not limited to: a) the relative cost of providing service (e.g., the magnitude of the subsidies that must be absorbed by the service area(s) whose stand-alone rates are lower than uniform rates); b) customer density; c) the relative levels of contributions-in-aid-of-construction associated with the various systems; d) ages of the various systems; e) long term benefits of stand-alone vs. uniform rates; and f) whether the systems share common management, operations,

maintenance, purchasing, billing or customer service personnel.

Q. Have you analyzed the utility's request for single tariff pricing in Pasco and Seminole Counties in this case?

A. Yes, I have.

Q. What is your recommendation regarding the utility's request?

A. Based upon my review and analysis of the information provided by the utility in its Minimum Filing Requirements (MFRs), responses to data requests, production of documents and deposition late filed exhibits (LFEs), I do not believe staff has sufficient information to calculate either single tariff rates or stand-alone rates in Pasco or Seminole Counties. Therefore, I recommend that the utility's requested rate relief in those counties be denied.

Q. Please discuss your evaluation of the Pasco County water filing.

A. Although UIF has purported to request single tariff pricing for its Pasco County water systems, it has not done so. Since UIF has requested that the 3,000 gallon (kgal) allotment be continued for its Wis-Bar system and the 5 kgal gallon allotment be continued for its Buena Vista system, UIF has actually requested three different rate structures for its water service in Pasco County.

Q. What is the Commission's practice regarding gallonage allotments in the base facility charge (BFC)?

A. The Commission's practice is to eliminate allotments contained in the BFC because this type of rate structure does not send appropriate conservation signals.

Q. Has the utility indicated why it requested that the gallonage allotments

for its Wis-Bar and Buena Vista systems be continued?

A. Yes, it was to avoid confusion in the revenue calculations. More specifically, in response to staff's second set of interrogatories, no. 56, when staff asked UIF about its reason for keeping the kgal allotments in the BFC the utility responded:

> UIF does not propose to eliminate the gallon allotments in its Buena Vista and Wis-Bar systems. The gallon allotment is still used to calculate revenue requirements . . . . UIF's current tariff allows for the allotment and chose not to eliminate it to avoid confusion in the revenue calculation.

It seems apparent from this response that the utility does not understand what constitutes a county-wide single tariff pricing structure.

Q. What are the implications of approving UIF's rate design request in Pasco County?

A. Keeping these allotments would, under UIF's Pasco County rate design proposal, result in inequities between customers. The Buena Vista residential customers would pay the single tariff (uniform) BFC but have a 5 kgal allotment, the Wis-Bar residential customers would pay the uniform BFC but have a lesser, 3 kgal allotment, while the remaining residential customers in the Summertree and Orangewood systems would pay the uniform BFC but have no gallons included as part of that BFC. This is unfair and should not be approved.

Q. Are there other problems with the Pasco County water filing?

A. Yes. In Mr. Steven Lubertozzi's deposition late filed exhibit (LFE) no. 7, he was asked to calculate, for the four water systems in Pasco County, what

the stand-alone rates for each system would be if UIF were requesting that stand-alone pricing be continued in this proceeding. Mr. Lubertozzi complied with this request for all systems except the requested stand-alone rates for the Wis-Bar water system.

Q. Did you receive an explanation as to why the Wis-Bar water rates were not provided in response to your request?

A. Not really. Contained in Mr. Lubertozzi's LFE no. 7 is a calculation for the Wis-Bar water system which indicates that system is earning 20.48%. On a subsequent page, he shows a calculation for all of the Pasco County water systems combined, in which the total requested annual revenues is reduced due to the overearning of the Wis-Bar water system. Finally, on the rates calculation page for the Wis-Bar water system, there is a statement which reads, "N/A, per revenue requirement and return on rate base page." Mr. Lubertozzi still has not provided the stand-alone rates for the Wis-Bar water system.

Q. Why is it important for UIF to provide stand-alone rates for each of its four water systems in Pasco County?

A. If the Wis-Bar water system is indeed earning more than its authorized return and the remaining three Pasco County water systems are earning less than their authorized return, there would be an obvious subsidy flowing from the Wis-Bar water system to the remaining systems.

However, staff cannot calculate the magnitude of any subsidies between the Pasco County water systems without the information from the Wis-Bar system.

Q. Are there other problems associated with the Pasco County water filing?

A. Yes. There may be other Pasco County water systems which would subsidize one or more of the remaining Pasco County systems if a single tariff rate structure was approved. Without the appropriate information, staff is unable to calculate the magnitude of any potential subsidy as part of the analysis in determining whether a single tariff pricing structure is appropriate for Pasco County's water systems.

Q. Are there more problems associated with the Pasco County water filing?

A. Yes. Exhibit FJL-1 replicates the utility's MFR Schedules E-2 for the water systems at current annualized rates. As shown at the bottom of column (h) on p. 3 of Exhibit FJL-1, Pasco County's current rates and billing determinants appear to generate revenues of $399,736 per its Schedule E-2. However, as also shown at the bottom of column (h), a calculation of those same rates and billing determinants yields revenues of $432,124, or $32,388 more than is shown on Pasco County's Schedule E-2 at current rates. Furthermore, Exhibit FJL-2 replicates the utility's MFR Schedules E-2 for the water systems at proposed rates. As shown at the bottom of column (h) on p. 3 of Exhibit FJL-2, the proposed rates appear to generate revenues of $517,845, while a calculation of the proposed rates and billing determinants on that page yields revenues of $561,414, or $43,569 more than is shown on the corresponding MFR Schedule E-2, p. 3 for Pasco County.

Q. Why is this a problem?

A. These inconsistencies indicate that either the billing determinants are incorrect or that the proposed rates may be too high. Staff is unable to accurately calculate the subsidies flowing from one system to another under either of these possible scenarios.

Furthermore, the proposed BFCs for Pasco County's water systems are not based on the appropriate equivalent residential connection (ERC) meter equivalents as provided by the American Water Works Association (AWWA) and Rule 25-30.110, Florida Administrative Code. As shown in the last column on Exhibit FJL-5, the differential between the utility's BFC for meter sizes greater than 5/8" are all consistently understated compared to the appropriate ERC differentials based on the aforementioned rule and AWWA standards. This is another indication that the proposed rates for the Pasco County water systems have been calculated incorrectly.

Q. In the event the Commission decides to approve rate relief for Pasco County, is there another rate design option which should be considered in addition to system-specific stand-alone rates and county-specific single tariff pricing?

A. Yes. The additional rate structure I recommend for consideration is one that minimizes the cross-subsidization between systems. In this pricing method, consolidation within a county is based upon substantial similarities in the cost of service and the resulting rates, thereby reducing the magnitude of the cross-subsidization between systems.

Q. How would these rates be calculated?

A. Rather than combine the costs, investments and billing determinants of all four water systems under single tariff pricing, systems would be combined based on minimizing the subsidies.

Q. What are some possible combinations of this rate consolidation alternative for Pasco County's water systems?

A. There are several possible combinations, including consolidating two

systems under one unified rate structure, while consolidating the other two systems under another unified rate structure. Another would be to combine three systems under a unified rate structure, while leaving the fourth system on a stand-alone basis. I would point out, however, that it is imperative that UIF provide staff with the correct stand-alone rates for each system, or else the subsidies resulting from the different combinations cannot be appropriately calculated.

Q. Have you reviewed UIF's Pasco County wastewater filing?

A. Yes, I have.

Q. Please share your comments.

A. First, as with the water system, the proposed BFCs for the Pasco County wastewater systems are not based on the appropriate equivalent residential connection (ERC) meter equivalents as provided by the American Water Works Association (AWWA) or Rule 25-30.110, Florida Administrative Code. As shown in the last column on Exhibit FJL-5, the differential between the utility's BFCs for meter sizes greater than 5/8" are consistently understated compared to the appropriate ERC differentials based on AWWA standards. This is an indication that the proposed rates for the Pasco County wastewater systems are incorrect, which means that staff calculations regarding potential subsidies between the Pasco County wastewater systems cannot be calculated correctly.

Q. Are there other problems?

A. Yes. Exhibit FJL-3 replicates, with the exception of Marion County, the utility's MFR Schedules E-2 for the wastewater systems at current annualized rates. As shown at the bottom of column (h) on p. 2 of Exhibit FJL-3, Pasco County's current rates and billing determinants appear to generate revenues

of $285,769 per its Schedule E-2. However, as also shown at the bottom of column (h), a calculation of those same rates and billing determinants yields revenues of $305,654, or $19,885 more than is shown on Pasco County's Schedule E-2 at current rates. Furthermore, Exhibit FJL-4 replicates, also with the exception of Marion County, the utility's MFR Schedules E-2 for the wastewater systems at proposed rates. As shown at the bottom of column (h) on p. 2 of Exhibit FJL-4, the proposed rates appear to generate revenues of $362,832, while a calculation of the proposed rates and billing determinants on that page yields revenues of $374,075, or $11,243 more than is shown on the corresponding MFR Schedule E-2, p. 6 for Pasco County.

Q. Why is this a problem?

A. These inconsistencies indicate that either the billing determinants are incorrect or that the proposed rates may be too high. Staff is unable to accurately calculate the subsidies flowing from one system to another under these circumstances.

Q. Are there more problems with the Pasco County wastewater filing?

A. Yes. A review of UIF's proposed wastewater gallonage charges indicates that the utility is proposing to eliminate the differential between residential and general (or commercial) service. However, the utility has provided no basis or support for this proposed change. Interestingly, the utility requested in Docket No. 930826-WS for Marion and Pinellas Counties that it be allowed to charge the same wastewater charge for residential and general service customers. The utility made the same request in Docket No. 940917-WS in a case involving Seminole, Orange and Pasco Counties. As discussed in Order No. PSC-94-0739-FOF-WS, issued on June 16, 1994, and in

Order No. PSC-95-0574-FOF-WS, issued on May 9, 1995, the Commission usually authorizes a differential in the wastewater gallonage charge to reflect the allowance for water used for irrigation and other purposes where the water is not collected and treated by the wastewater system. The Commission found it appropriate in both the aforementioned cases to continue a 20% differential in the wastewater gallonage charge between the utility's residential and general service customers.

In addition, the 20% differential is Commission practice. Since the wastewater gallonage charges have been calculated without a residential/general service differential, the resulting gallonage charges are incorrect. Again, proposed rates that are incorrect will preclude staff's appropriate subsidies calculations.

Q. Would you please summarize the problems associated with UIF's Pasco County filing?

A. Yes. With regard to the water system, due to the failure of the utility to provide information regarding the appropriate stand-alone rates for the Wis-Bar system, staff is unable to calculate any subsidization between systems that would result from moving from stand-alone rates to single tariff pricing. Furthermore, because the proposed rates generate more revenue than is shown on p. 3 of Pasco County MFR Schedule E-2, either the associated billing determinants or the proposed rates contained in the MFRs for Pasco County may be incorrect. If the proposed rates are incorrect, then staff's subsidy analysis will also be incorrect. If the billing determinants for Pasco County's water systems are incorrect, we will be unable to calculate even stand-alone rates, should the decision of the Commission be that the systems

remain on a stand-alone basis. Finally, UIF's proposed BFCs appear incorrect, as the ERC differentials are not consistent with either the requirements set forth in Rule 25-30.110, Florida Administrative Code, or water industry standards. This problem is yet another indication that the proposed rates are incorrect, which precludes an appropriate analysis of subsidies as well.

With regard to the wastewater system, the utility has, without support, proposed to eliminate the differential between residential and general (or commercial) service, which is not only contrary to the Commission's findings in prior UIF cases, but also contrary to Commission practice. Therefore, the calculation of the gallonage charges are incorrect. In addition, UIF's proposed BFCs appear incorrect. These problems are indications that the proposed rates for the wastewater system are incorrect. Staff cannot perform an appropriate subsidy analysis based on rates that are incorrect. Finally, because the proposed rates generate more revenue than is shown on p. 6 of Pasco County MFR Schedule E-2, either the associated billing determinants or the proposed rates contained in the MFRs for Pasco County may be incorrect. If the proposed rates are incorrect, then staff's subsidy analysis will also be incorrect. If the billing determinants for Pasco County's wastewater systems are incorrect, staff will be unable to calculate even stand-alone rates.

Based on the problems enumerated above, staff is unable to calculate rates on either a single tariff, consolidated or stand-alone basis. Therefore, I recommend that the requested rate relief for Pasco County be denied.

Q. Have you reviewed UIF's filing for its water and wastewater systems in

Seminole County?

A. Yes, I have.

Q. Would you please explain UIF's requested rate structure for the water systems in Seminole County?

A. Yes. Currently, there are eight water systems operating under a uniform rate structure, while the Oakland Shores system is priced on a stand-alone basis. The utility proposes to combine the Oakland Shores system with the other eight water systems, resulting in a county-wide single tariff rate structure.

Q. Are there problems associated with the utility's Seminole County water filing?

A. Yes. The primary area of concern centers around the appropriate customer count and resulting gallons sold for the Oakland Shores system. As shown on Exhibit (FS-1), Schedule No. 1 of utility witness Frank Seidman, the utility served an average of 224 customers in the Oakland Shores system during the test period. However, according to the Seminole County MFR Schedule E-2, p. 2, Oakland Shores accounted for 92 billing units (or 16 customers) during the test period. Based upon this discrepancy, I do not believe an appropriate analysis of the Oakland Shores system can be accomplished.

Q. Isn't it possible to appropriately analyze the Oakland Shores water system if one of the utility's witnesses agrees to the other witness's customer count?

A. Assuming the utility's witnesses can agree on the correct number of customers in the Oakland Shores system, there is still the equally serious problem of knowing the appropriate number of gallons that were billed to the

system. The information on the pages of MFR Schedule E-14 represents a detailed accounting, by customer class, meter size and individual billing code based on the different service areas, of the billing units and gallons sold during the test period. As shown on Seminole County MFR Schedules E-14, p. 94 and E-2, p. 2, the Oakland Shores system accounted for 96 billing units and 1,664,330 gallons attributable to those billing units during the test period. Since the information on Schedule E-2, p. 2 for Oakland Shores matches the detailed information shown on Schedule E-14, there is some level of assurance that the information is correct. However, Mr. Seidman's reported count for Oakland Shores of 224 customers is quite a serious discrepancy that must be resolved.

Q. What are the implications if Mr. Seidman's customer count is correct?

A. If Mr. Seidman's customer count is correct, that creates two additional problems. First, we have no data that indicates the number of gallons sold to those 224 customers. Second, the calculation of the current revenues for the Oakland Shores system as shown on Schedule E-2, p. 2, is based on 16 customers and the associated gallons sold, rather than on an average of 224 customers and the associated gallons sold to those customers. Even more troubling is that the proposed rates for Seminole County as shown on Schedule E-2, p. 3 appear to be based on 16 customers in Oakland Shores and the associated gallons. If the correct number of customers served in the Oakland Shores area during the test year was approximately 224, and a corresponding increase in the number of gallons is also reflected, not only would the proposed single tariff rates for Seminole County be incorrect, but the Oakland Shores system might in fact be overearning. In any event, staff is unable to

calculate the appropriate subsidies, to the extent they exist, between the Oakland Shores system and the remaining eight water systems.

Q. Are there any other problems associated with the Seminole County water systems filing?

A. Yes. As with the Pasco County filing, the proposed base facility charges for the Seminole County water system are not based on the appropriate equivalent residential connection (ERC) meter equivalents as provided by the American Water Works Association (AWWA) or Rule 25-30.110, Florida Administrative Code. As shown in the last column on Exhibit FJL-5, the differential between the utility's BFCs for meter sizes greater than 5/8" are all consistently understated compared to the appropriate ERC differentials based on AWWA standards. This is an indication that the proposed rates for the Seminole County water system are incorrect, which renders staff calculations regarding potential subsidies between the Seminole County water systems incorrect as well.

Q. Are there any problems associated with the Seminole County wastewater filing?

A. Yes. It appears that an incorrect number of gallons was used to calculate both the revenues based on current rates and the proposed rates. In addition, the utility has, without support and contrary to Commission practice, eliminated the residential/general service gallonage charge differential. Therefore, the calculation of the proposed wastewater gallonage charge is incorrect.

Based on the problems discussed above, staff is unable to calculate single tariff rates or stand-alone rates. Therefore, I recommend that the

requested rate relief for Seminole County be denied.

Q. Have you also analyzed Schedules E-1, E-2 and E-14 contained in the utility's MFRs which were sponsored by Mr. Lubertozzi with respect to the billing determinants, plus the current and proposed rates in each county?

A. Yes, I have.

Q. Do you have any comments to make regarding these schedules?

A. As discussed earlier, the billing determinants and/or the proposed rates for Pasco and Seminole Counties are suspect. In addition, as discussed in Staff Audit Exception no. 17, which was not contested by the utility, a 2" bulk wastewater customer in Marion County was added during the 2001 test year. The utility reported the actual number of bills and gallons, rather than present annualized bills and gallons, as would have been appropriate.

Q. What is the effect of not annualizing the bulk wastewater customer's data in Marion County?

A. As shown at the bottom of column (h) on p. 1 of Exhibit FJL-3, Marion County's current revenues are understated by $7,993 when compared to MFR Schedule E-2, p. 3. As shown at the bottom of column (h) on p. 1 of Exhibit FJL-4, Marion County's proposed revenues are understated by $8,845 when compared to MFR Schedule E-2, p. 4. Using the unannualized number of gallons sold when calculating the proposed gallonage charge ultimately results in an overstatement of that charge. The current, annualized revenues shown at the bottom of column (h) on p. 1 of Exhibit FJL-3 of $66,692 exceed the utility's requested revenue level for Marion County of $63,789 as shown on MFR Schedule E-2, p. 4. Given this information, I question whether the Marion County wastewater system is entitled to a rate increase.

Q. What are your recommended number of billing units and gallons sold associated with the 2" bulk wastewater customer in Marion County?

A. Consistent with the calculation of the annualized revenues for the 2" bulk customer as shown in Staff Audit Exception no. 17, converted to a monthly billing basis, I recommend 12 monthly billing units and 5,384,615 gallons sold.

Q. There are witnesses on behalf of staff from both the St. Johns and Southwest Florida Water Management Districts, correct?

A. Yes. Mr. Dwight Jenkins is from the St. Johns River Water Management District (SJRWMD), and Mr. Jay Yingling is from the Southwest Florida Water Management District (SWFWMD). Both gentlemen are appearing in this case as staff witnesses.

Q. Would you please explain the MOU that exists between the Commission and the five Water Management Districts (WMDs), and how the Commission and the WMDs work together in cases?

A. Yes. The Commission has a MOU with all five WMDs. In June 1991, the Commission and the five WMDs recognized that it is in the public interest that they engage in the joint goal to ensure efficient and conservative utilization of water resources in Florida, and that a joint, cooperative effort is necessary to implement an effective state-wide water conservation policy. The MOU memorializes the common objectives, principles and responsibilities of each agency in order to implement an effective state-wide water conservation policy.

Q. What are the common objectives of the two agencies as they relate to public water systems?

A. The common objectives as stated in the MOU include, but are not limited to:

(a) fostering conservation and the reduction of withdrawal demand of ground and surface water through, among other measures, employment of conservation promoting rate structures, maximization of reuse of reclaimed water, and through customer education programs;

(b) effectively employing the technical expertise of the WMDs regarding water resource development and water resource management, and employing Commission expertise in the economic regulation of utilities for the promotion of efficient water consumption in the public interest; and

(c) a requirement that the agencies shall exchange pertinent available information regarding water systems experiencing water availability problems.

Q. Have either Mr. Jenkins or Mr. Yingling made specific rate design requests on behalf of their respective WMD?

A. Yes, both Mr. Jenkins and Mr. Yingling make specific rate design requests based on their respective Water Management Districts' rules and water supply concerns. Their specific rate design requests will be addressed in the following section of my testimony.

Q. Let's move to the discussion of the appropriate design of water conservation-oriented rates. First, please describe UIF's current water rate design in each of its five counties.

A. Before I begin my discussion of the utility's current and proposed water rate designs, I wish to point out that I have included Pasco and Seminole

Counties in my discussion and analysis. This in no way changes my earlier recommendation that the requested rate relief for Pasco and Seminole Counties be denied. However, I have chosen to include Pasco and Seminole Counties in my rate design discussion in order to better illustrate how UIF has approached rate design in this case.

As shown on Exhibit FJL-1, the utility currently implements the traditional base facility charge (BFC)/uniform gallonage charge rate structure, billed bi-monthly, in almost all of its water systems included in this filing. However, as shown on p. 3 of Exhibit FJL-1, there are slight deviations in Pasco County. Three of the Pasco County systems - Wis-Bar, Buena Vista and Summertree - are billed monthly. In addition, the Wis-Bar system has a 3,000 gallon (kgal) allotment included in its BFC, while the Buena Vista system has a 5 kgal allotment included in its BFC. Finally, as shown on Exhibit FJL-1, the utility's current rates are designed to generate cost recovery percentages of: 1) 33% BFC/67% gallonage charge in Marion County; 2) 29% BFC/71% gallonage charge in Orange County; 3) 72% BFC/28% gallonage charge in Pasco County; 4) 56% BFC/44% gallonage charge in Pinellas County; and 5) 30% BFC/70% gallonage charge in Seminole County.

Q. Please describe UIF's proposed water rate design for the systems in this filing.

A. As shown on Exhibit FJL-2, the utility proposes virtually no changes to its current rate structures. As discussed earlier, UIF has proposed to implement single tariff pricing in Pasco and Seminole Counties, but to maintain the kgal allotments for the Wis-Bar and Buena Vista systems in Pasco County. UIF has also proposed to implement monthly billing in all five

counties. Finally, as shown at the bottoms of pages 3 through 5 of Exhibits FJL-1 and FJL-2, UIF has proposed to increase the BFC cost recovery percentages in Pasco, Pinellas and Seminole Counties.

Q. The utility has requested a change from bi-monthly to monthly billing. Did you analyze this proposal?

A. Yes. In response to staff's second set of interrogatories, no. 55, UIF was asked to provide the detailed additional costs associated with a switch from bi-monthly to monthly billing. Each county's cost per customer to convert to monthly billing, on both an annual and monthly basis, is shown on Exhibit FJL-6. The water rates per kgal for each county are also shown in the last column on this exhibit.

Q. What conclusions do you draw from this exhibit?

A. The additional monthly cost per customer ranges from $.09 in Marion County to $.17 in Seminole County. These additional charges are significantly less than the corresponding current water rates per kgal for each county. The potential gallonage charge savings for the customers by receiving water usage signals in a more timely manner, when compared to the cost incurred to provide the customers this information, make the conversion from bi-monthly to monthly billing a prudent decision. Furthermore, as discussed in the testimonies of Messrs. Jenkins and Yingling, both the SJRWMD and the SWFWMD advocate the use of monthly, rather than bi-monthly billing. Therefore, I recommend that the conversion to monthly billing be approved.

Q. Do you have any comments regarding the utility's proposal to keep the kgal allotments in the BFCs for the Wis-Bar and Buena Vista systems in Pasco County?

A. Yes. As I discussed in the single tariff pricing portion of my testimony, keeping these allotments in Pasco County's water rate structure would result in inequities to other Pasco County water customers. In addition, as discussed in the testimony of staff witness Yingling, UIF's allotments are significantly greater than the guidelines contained in the "Interim Minimum Requirements for Water Conserving Rate Structures" used by the SWFWMD, and as recommended by the American Water Works Association (AWWA). In effect, according to Mr. Yingling, the allotments contained in the BFCs are in effect flat rates which the SWFWMD does not consider to be water conserving. Mr. Yingling further states that the permittee may be required to demonstrate the revenue need to exceed the 15% suggested by the AWWA.

Q. Has the utility demonstrated any need to continue these gallonage allotments?

A. In my opinion, no. As discussed previously, in response to staff's second set of interrogatories, no. 56, UIF stated that it proposed to keep the kgal allotments in its Pasco County rate structures "to avoid confusion in the revenue calculation."

Q. What is your recommendation regarding UIF's request to keep the kgal allotments in the BFCs for the Wis-Bar and Buena Vista systems in Pasco County?

A. I recommend that the kgal allotments be discontinued.

Q. UIF has proposed to increase the BFC cost recovery percentages in Pasco, Pinellas and Seminole Counties. Have you analyzed this request?

A. Yes. As shown in Exhibits FJL-1 and FJL-2, UIF has proposed to increase the BFC cost recovery percentage in: 1) Pasco County from 72% to 76%;

2) Pinellas County from 56% to 57%; and 3) Seminole County from 30% to 36%.

Q. Do you agree with this proposal for any of these counties?

A. No, I do not. As discussed in staff witness Yingling's testimony, the utility's Pasco and Pinellas County systems are located in the Northern Tampa Bay Water Use Caution Area, and staff witness Jenkins stated that all of the UIF systems in Seminole and Orange Counties are located within identified Priority Water Resource Caution Areas. In these instances, the WMDs advocate the use of proper pricing signals as an incentive for customers to utilize proper conservation practices.

As also discussed in the testimonies of Messrs. Jenkins and Yingling, the Water Management Districts'(WMDs) preference for cost recovery is that no more than 40% be recovered through the BFC. The current 72% BFC cost recovery allocation for UIF's Pasco County systems is not consistent with the intent of water-conserving rate structures, as it greatly exceeds the SWFWMD's desire that the BFC percentage be as close to the 30% to 40% range as is practical. The BFC cost recovery for the Pinellas County system (Lake Tarpon) also exceeds 40% of revenues, leading the SWFWMD to recommend that those fixed charges be lowered as well. Although UIF's requested 36% BFC cost recovery in Seminole County is within the preference level of the SJRWMD, it represents a move away from sending a stronger conservation pricing signal.

Q. Let's move to the next portion of your testimony. Would you please explain the concept of revenue requirement reallocation?

A. Yes. When a system has both a water and a wastewater system, revenue requirement reallocation shifts a portion of the revenue requirement increase from one operating system to the other operating system. A reallocation may

flow from a water system to its corresponding wastewater system, or vice versa.

Q. Has the Commission ever found it appropriate to reallocate revenue requirement in prior cases?

A. Yes, the Commission has reallocated revenue requirement in four prior cases.

Q. What has been the purpose of the revenue requirement reallocations in the Commission's prior decisions?

A. Typically, reallocation of revenue requirement is used to offset the overearnings of a system, or is used to design a more conservation-oriented water rate.

Q. What has been the criteria used by the Commission when making reallocation decisions?

A. In prior Commission decisions, reallocation has occurred only when the combined water and wastewater systems shared, for the most part, a common customer base and a common service area.

Q. In your opinion, based on the criteria used in prior Commission decisions, should the Commission consider revenue requirement reallocation in this case?

A. No. There are three counties that have wastewater systems in this case: Marion, Pasco and Seminole. For reasons discussed earlier in my testimony, I recommend that the requested rate relief for the Pasco and Seminole County systems be denied. A review of the Marion county customer bases of the water and wastewater systems indicates that while the water system serves the Golden Hills/Crownwood system, the wastewater system serves the Crownwood area only.

Therefore, the number of customers and the areas served are sufficiently dissimilar to not warrant reallocation of Marion County's wastewater revenue requirement to its water system.

Q. Moving to the next section of your testimony, would you please describe your analysis of UIF's requested rate design for its water systems?

A. Yes. However, because this analysis leads to my illustrative rate designs in which I rely on the utility's billing data, I have excluded Pasco and Seminole Counties from this analysis for the reasons previously discussed.

In Marion and Orange counties, the utility has applied the proposed percentage revenue increase in that county in a virtually uniform fashion to both the BFC and gallonage charges. For example, as shown in column (h) at the bottom of p. 1 of Exhibit FJL-2, the utility is requesting a 31% increase in monthly service rate revenues in Marion County. Correspondingly, as shown in the last column on page 1 of Exhibit FJL-7, application of the requested 31% increase to both the BFC and gallonage charges results in a virtually uniform distribution of the requested increase across all consumption levels. Similarly, the utility's requested monthly revenue increase in Orange County of 91% is reflected in the last column on p. 2 of Exhibit FJL-7 as a virtually uniform, across the board increase.

In Pinellas County, UIF requested a 183% increase in revenues for its Lake Tarpon system. However, UIF did not apply its requested increase as an across the board increase to the BFC and gallonage charges as it did in Marion and Orange Counties. Rather, as discussed earlier and in the testimony of staff witness Yingling, the utility requested a slight increase in the BFC cost allocation recovery percentage from 56% to 57%. As shown in the last

column on p. 3 of Exhibit FJL-7, this would result in slightly greater percentage increases being realized by customers with little or no consumption, with the percentage increase actually decreasing as consumption rises. This type of rate design, especially in a Water Use Caution Area as is the case with Lake Tarpon, is contrary to the desires of the SWFWMD and is also contrary to Commission practice.

Q. How is the rate design for Pinellas County contrary to Commission practice?

A. When utilities are located within Water Use Caution Areas, it is Commission practice to design the rates such that as consumption increases, the customer must pay an increasingly greater share of the cost of water. In this way, customers have a stronger incentive to conserve as their consumption increases. The utility's proposal does exactly the opposite: as consumption increases, the proposed percentage increase diminishes.

Q. You mentioned earlier that you will present a series of illustrative rate designs. Will the testimonies of Mr. Yingling and Mr. Jenkins affect your illustrative rate designs?

A. Yes. Mr. Yingling has testified that since the systems in Marion and Pinellas Counties are within the SWFWMD limits for per capita consumption, that there is no requirement by the SWFWMD that the systems in Marion and Pinellas Counties implement an inclining block rate structure. However, Mr. Yingling does point out that the BFC allocation percentages proposed in Marion and Pinellas Counties should be reduced.

Mr. Jenkins testified that all of the utility's systems located in the SJRWMD are located in Priority Water Resource Caution Areas. He further

testified that the SJRWMD will, pursuant to its rules, require UIF to implement conservation rate structures, which are generally in the form of three or four tier inclining block rates.

Therefore, my illustrative rate designs which explain how UIF's proposed water rate designs should be modified for Marion, Orange and Pinellas Counties are based in large part on the testimonies of Mr. Yingling and Mr. Jenkins. This is in cooperation with their respective WMDs, and consistent with our Memorandum of Understanding with their agencies. Again, I have excluded Pasco and Seminole Counties from this analysis. So that my analysis and rate design will be as comparable as possible to the utility's, I have based Exhibit FJL-8 on UIF's requested revenues from monthly service rates of $199,342 from Marion County, $158,825 from Orange County and $156,620 from Pinellas County, as well as UIF's corresponding bills, ERCs and gallons for those respective counties.

Q. Please explain in general terms what illustrative rate designs you will be recommending for UIF's water systems.

A. My illustrative rate designs for Marion and Pinellas Counties will center around a traditional BFC/gallonage charge rate structure, while my illustrative rate design for Orange County will be based on three-tier inclining block rates. All of my illustrative rate designs may be considered conservation-oriented.

Q. Please begin with your illustrative rate design of the utility's Marion County water system.

A. As shown on p. 1 of Exhibit FJL-8, I have calculated the price increases for the Marion County systems under four different scenarios. Although an inclining-block rate structure is not required in this case, one method of

making the rate structure more conservation-oriented is by shifting some of the cost recovery from the BFC to the gallonage charge.

Q. How should an appropriate BFC allocation percentage be designed?

A. The appropriate BFC allocation percentage is one that permits the utility to recover a significant share of its fixed costs while at the same time sending customers the proper pricing signals to encourage them to control their water usage.

Q. Would you please explain?

A. There are several things to keep in mind when selecting an appropriate BFC vs. gallonage charge allocation. Due to revenue stability concerns, one should exercise caution when the BFC allocation percentage is decreased such that the new BFC is less than the current BFC. In addition, when there is an exceptionally seasonal customer base, a comparison should be made between the percentage increases at very low or no consumption levels vs. the overall percentage increase to the system. I recommend caution if there is a great disparity between these percentages, as the utility may not recover sufficient revenues during part of the year.

Q. Do you agree in theory that placing more of the cost recovery burden in the gallonage charge places the utility at risk for greater revenue instability?

A. In theory, a move away from revenues generated through fixed charges to revenues generated through gallonage charges will increase the uncertainty about the revenue stream. In practice, however, the variability of revenue received exists within a continuum. For example, if the Commission were to set the BFC at zero, making the utility's revenue requirement totally

dependent on the number of gallons sold, in months of extremely low usage there could be the risk that revenues generated might not cover fixed costs. This situation could place the utility at greater risk. At the other extreme, the Commission could set the BFC at 100% of the utility's revenue requirement and thereby eliminate any variability in revenue associated with usage.

Q. Will placing less than 33% of the utility's cost recovery burden on the BFC in Marion County place the utility at a greater risk for revenue instability?

A. Yes. However, an analysis of the billing data for Marion County reveals average consumption per residential customer of approximately 7.7 kgal per month, and does not indicate an exceptionally seasonal customer base. Therefore, I believe the magnitude of the cost recovery shifts resulting in a BFC allocation percentage of 25% are insignificant compared to the resulting improved conservation pricing signals sent to customers, while at the same time minimizing the price increases for largely nondiscretionary use.

Q. You mentioned earlier that the appropriate BFC allocation percentage is one that permits the utility to recover a significant share of its fixed costs while also sending customers the proper conservation pricing signals. How would this analysis be performed?

A. This analysis is based on the fact that there will be a certain baseline "fixed" level of water sold to customers during the year. In the case of Marion County, I believe it is reasonable to assume this baseline level is represented by one-third of water sold to the utility's customers. It is not necessary for 100% of the utility's fixed costs to be recovered solely through the BFC if a combination of the BFC and the revenues generated by this

baseline level of usage combine to cover fixed costs. After fixed costs are recovered, it is entirely appropriate for the incremental variable costs to be recovered through the revenues generated by the number of gallons sold.

Q. Have you performed the analysis just described for Marion County?

A. Yes, I have. Based on a 25% BFC, the revenues generated from the resulting BFCs, based on the simplifying assumption that all meters are 5/8", plus one-third of the kgals sold in Marion County during the test year yield slightly greater than $70,000. This figure is greater than the utility's proposed fixed charge revenue amount of $65,499 as shown at the bottom of column (g) on p. 1 of Exhibit FJL-2.

Q. What does the analysis on p. 1 of Exhibit FJL-8 reveal?

A. As shown on page 1 of this exhibit, a preferable, more conservation-oriented rate structure to that proposed by UIF is one that is based on a BFC cost recovery allocation level of less than the 33% proposed by UIF. This results in price signals sent to the medium and high consumption users which are greater than the price increases based on a BFC of 33%. My recommendation is based upon a balancing of the utility's financial stability and generally accepted conservation principles.

Q. Please explain your illustrative rate design of the utility's Pinellas County water system.

A. As shown on p. 6 of Exhibit FJL-8, I have calculated the price increases for the Pinellas County system under four different scenarios in a manner similar to that of the Marion County systems. Although an inclining-block rate structure is not required in Pinellas County, I have explored different BFC percentage allocations as a method of making the rate structure more

conservation-oriented.

Q. How should an appropriate BFC allocation percentage be designed for the Lake Tarpon system?

A. An analysis of the billing data for this system indicates that approximately 30% of the residential customer bills are at consumption levels of 1 kgal or less, and almost 50% of these bills are captured at consumption levels of 2 kgal or less. This indicates a very seasonal customer base. As I stated earlier, caution should be used when designing an appropriate BFC allocation for a very seasonal customer base.

My analysis included as a point of comparison the utility's request that 57% of the revenue recovery be included in the BFC. In order to make this rate structure more conservation oriented, I then lowered the BFC percentages to a range between 30% and 50%.

Q. What did your analysis reveal?

A. UIF has requested a revenue increase in Pinellas County of 183%. However, as shown on p. 6 of Exhibit FJL-8, the percentage price increases at a BFC of 40% yield increases ranging from 103% for a customer with no consumption to 161% for a customer using 2 kgal. The corresponding percentages are even lower at a BFC of 30%. I am concerned that placing 40% or less of the utility's cost recovery burden in the BFC in Pinellas County will place the utility at a greater risk for revenue instability. In this case, a balancing of the utility's financial stability and generally accepted conservation principles must be considered.

Q. You stated that your illustrative rate design for Orange County would be based on inclining block rates. Please explain the steps involved in

evaluating and calculating an inclining block rate structure.

A. There are several steps involved in evaluating and calculating an inclining-block rate structure, including but not limited to determining: 1) the appropriate "conservation adjustment," if any; 2) the appropriate usage blocks; and 3) the appropriate usage block rate factors.

Q. Please describe your illustrative rate designs for Orange County.

A. Consistent with the rules of the SJRWMD, I recommend an inclining block rate structure for Orange County. In Exhibit FJL-8, the analysis is first categorized by the selection of different usage blocks. I believe one combination of usage blocks that merits consideration is for usage at 0-10 kgal, 10-20 kgal, and 20+ kgal (0-10-20 kgal). This set of usage blocks is presented on pages 2 and 3 of Exhibit FJL-8. The second combination of usage blocks, presented on pages 4 and 5 of Exhibit FJL-8, is for usage at 0-8 kgal, 8-16 kgal, and 16+ kgal (0-8-16 kgal).

For each set of usage blocks evaluated, there are two alternatives for BFC vs. gallonage charge cost recovery: BFC = 29%, which is consistent with UIF's proposal, and BFC = 25%. For example, p. 2 of Exhibit FJL-8 is based on usage blocks of 0-10-20 kgal, with a BFC allocation of 29%. Page 3 of Exhibit FJL-8 also examines the 0-10-20 kgal usage blocks, but at a BFC allocation of 25%. The lower the BFC allocation percentage, and, therefore, the greater the gallonage charge allocation percentage, the more conservation oriented the rate is considered.

The same pattern is repeated for pages 4 and 5 of Exhibit FJL-8, but for the 0-8 kgal, 8-16 kgal and 16+ kgal usage blocks. Finally, pages 2 through 5 contains the same 4 sets of usage block rate factors: 1) 1/1/1; 2)

1/1.25/1.5; 3) 1/1.25/2; and 4) 1/1.5/2.

Q. What does an analysis of pages 2 through 5 of Exhibit FJL-8 reveal?

A. First, a BFC of 25% is necessary in order to generate percentage price increases that steadily climb with consumption. This is consistent with Commission practice. Therefore, comparing the percentage price increases on p. 3 to those corresponding increases on p. 5 of Exhibit FJL-8, usage block rate factors of either 1/1.25/2 or 1/1.5/2 result in the greatest magnitude of price increase differential between low vs. high water consumption. Based on a BFC of 25% and usage block rate factors of either 1/1.25/2 or 1/1.5/2, there is little difference when comparing the price changes generated by the 0-10-20 kgal usage blocks vs. the 0-8-16 kgal usage blocks. Ultimately, I recommend the usage blocks of 0-8-16 kgal because slightly more customers will be subject to the rate in the third tier.

Q. Please describe UIF's proposed wastewater rate designs.

A. I have excluded Pasco and Seminole Counties from this analysis for the reasons previously discussed. In Marion County, UIF has proposed to allocate its requested percentage increase in revenues in an across the board fashion similar to its proposed water system rate design.

Q. Have you designed wastewater rates for the Marion County system?

A. No. As I discussed earlier in my testimony, based on an annualization of Marion County's wastewater billing determinants, the resulting revenues generated under current rates is greater than the utility's requested revenues. The Marion County wastewater system may be overearning; therefore, I have not calculated illustrative wastewater rates.

Q. Moving on to the next portion of your testimony, you have read staff

witness Yingling's discussion of the 1999 Price Elasticity Study, correct?

A. Yes, I have.

Q. Do you believe a reduction in water demand (repression) will occur in this case, and, if so, how should the demand reduction be estimated?

Q. Yes. I believe it is reasonable to expect a reduction in demand (repression) caused by an increase in the water rates. I also believe it is reasonable to estimate demand reductions based on the long-run price elasticities found in the District's study and discussed in Mr. Yingling's testimony. Specifically, Mr. Yingling testifies that when gallonage prices are below $1.50 per kgal, price elasticity is estimated to be -0.398; for gallonage prices between $1.50 per kgal and $3.00, the price elasticity is estimated to be -0.682; and for gallonage prices above $3.00 per kgal, price elasticity is estimated to be -0.247. Furthermore, as testified by Mr. Yingling, it can be expected that 50% of the long-run price impact will occur in the first year.

Q. Do you have any concluding remarks?

A. Yes, I do. My recommendations are based wholly on the utility's proposed filing, minus the requested rate relief in Pasco and Seminole Counties. To the extent my recommendations are used in staff's final recommendation in this case, the rate calculations should be based on staff's final recommended revenue requirement, as well as on staff's final recommended bills, ERCs and consumption.

Q. Does this conclude your testimony?

A. Yes.

UTILITIES, INC. OF FLORIDA: CURRENT WATER RATE DESIGN

MARION COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Bimonthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Bimonthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Crownwood of Ocala							
5/8" Meter	2,265,650	427	$2.25	$5,098	$8.16	$3,484	$8,582
Golden Hills							
5/8" Meter	1,821,480	138	$2.25	$4,098	$8.16	$1,126	$5,224
1" Meter	36,581,293	2,045	$2.25	$82,308	$20.40	$41,718	$124,026
1" Meter Irrigation (Golden Hills)	44,250	29	$2.25	$100	$20.40	$592	$691
Total Residential	40,712,673	2,639					$138,524
General Service							
Crownwood of Ocala							
5/8" Meter	189,020	12	$2.25	$425	$8.16	$98	$523
5/8" Meter- Irrigation (Crownwood)	2,219,980	102	$2.25	$4,995	$8.16	$832	$5,827
1.5" Meter - Irrigation (Crownwood)	824,200	6	$2.25	$1,854	$40.79	$245	$2,099
Golden Hills							
5/8" Meter	0	6	$2.25	$0	$8.16	$49	$49
1" Meter	135,070	36	$2.25	$304	$20.40	$734	$1,038
1.5" Meter	33,350	7	$2.25	$75	$40.79	$286	$361
4" Meter	1,103,100	6	$2.25	$2,482	$203.98	$1,224	$3,706
Total General Service	4,504,720	175					$13,603
Current Totals	**45,217,393**	**2,814**		**$101,739**		**$50,388**	**$152,126**
						per E-2:	**$152,126**
						E-2 understated:	**$0**

Current Cost Recovery	**67% Gal Chg**	**33% BFC**

UTILITIES, INC. OF FLORIDA: CURRENT WATER RATE DESIGN

ORANGE COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Bimonthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Bimonthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter	23,994,410	1,672	$2.07	$49,668	$12.16	$20,332	$70,000
5/8" Meter	4,175,360	260	$2.07	$8,643	$12.16	$3,162	$11,805
1" Meter	31,690	6	$2.07	$66	$30.32	$182	$248
Total Residential	28,201,460	1,938					$82,052
General Service							
5/8" Meter	303,970	12	$2.07	$629	$12.16	$146	$775
1" Meter	112,340	6	$2.07	$233	$30.32	$182	$414
Total General Service	416,310	18					$1,190
Current Totals	**28,617,770**	**1,956**		**$59,239**		**$24,003**	**$83,242**
						per E-2:	**$83,242**
						E-2 understated:	**$0**
Current Cost Recovery				**71% Gal Chg**		**29% BFC**	

UTILITIES, INC. OF FLORIDA: CURRENT WATER RATE DESIGN

PASCO COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Wis-Bar							
5/8" Meter (1)	2,678,464	1,614	$1.89	$5,062	$15.56	$25,114	$30,176
Buena Vista							
5/8" Meter (2)	33,230,858	13,176	$0.43	$14,289	$8.88	$117,003	$131,292
Summertree/Paradise Point							
5/8" Meter	21,078,739	10,088	$1.51	$31,829	$7.95	$80,200	$112,028
Orangewood (3)							
5/8" Meter	28,653,818	6,818	$1.10	$31,519	$9.50	$64,771	$96,290
1" Meter Irrigation	94,250	24	$1.10	$104	$23.77	$570	$674
Total Residential	85,736,129	31,720					$370,461
General Service							
Orangewood							
5/8" Meter	799,462	204	$1.10	$879	$9.50	$1,938	$2,817
1" Meter	1,306,797	84	$1.10	$1,437	$23.77	$1,997	$3,434
1.5" Meter	312,100	12	$1.10	$343	$47.51	$570	$913
2" Meter	101,900	12	$1.10	$112	$76.03	$912	$1,024
4" Meter	0	0	$1.10		$237.56		
5/8" Meter - Irrigation	0	0	$1.10		$9.50		
1.5" Meter - Irrigation	0	0	$1.10		$47.51		
Total General Service	2,520,259	312					$8,189
Commercial							
Summertree/Paradise Point							
5/8" Meter	3,409,470	68	$1.51	$5,148	$7.95	$541	$5,689
1" Meter	308,270	24	$1.51	$465	$19.91	$478	$943
2" Meter	20,896,040	240	$1.51	$31,553	$63.70	$15,288	$46,841
Total Commercial	24,613,780	332					$53,473
Current Totals	**112,870,168**	**32,364**		**$122,742**		**$309,381**	**$432,124**
						per E-2:	**$399,736**
						E-2 understated:	**($32,388)**

Current Cost Recovery	**28% Gal Chg**	**72% BFC**

(1) Includes a 3 kgal allotment in the base facility charge.
(2) Includes a 5 kgal allotment in the base facility charge.
(3) For comparability purposes, Orangewood's bi-monthly rates have been presented in monthly rate form.

UTILITIES, INC. OF FLORIDA: CURRENT WATER RATE DESIGN

PINELLAS COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Bimonthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Bimonthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter	20,932,458	3,016	$1.07	$22,398	$9.10	$27,446	$49,843
1" Meter	251,766	67	$1.07	$269	$22.76	$1,525	$1,794
Total Residential	21,184,224	3,083					$51,638
General Service							
5/8" Meter	1,660	12	$1.07	$2	$9.10	$109	$111
1" Meter	8,100	6	$1.07	$9	$22.76	$137	$145
2" Meter	1,681,100	24	$1.07	$1,799	$72.81	$1,747	$3,546
Total General Service	1,690,860	42					$3,802
Current Totals	**22,875,084**	**3,125**		**$24,476**		**$30,964**	**$55,439**
						per E-2:	**$55,439**
						E-2 understated:	**($0)**

Current Cost Recovery	**44% Gal Chg**	**56% BFC**

UTILITIES, INC. OF FLORIDA: CURRENT WATER RATE DESIGN

SEMINOLE COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	Gallons	Bimonthly Billing Units	Rates per 1,000 gal	Gallonage Revenue	Bimonthly Base Charge	Base Chg. Revenues	Total Revenue
5/8" Meter	232,737,914	15,577	$1.69	$393,327	$11.12	$173,216	$566,543
1" Meter	1,708,440	79	$1.69	$2,887	$27.79	$2,195	$5,083
1" Meter	0	0	$1.69	$0	$55.53	$0	$0
5/8" Meter Irrigation	880,060	62	$1.69	$1,487	$11.12	$689	$2,177
1" Meter Irrigation	0	0	$1.69	$0	$27.79	$0	$0
Oakland Shores							
5/8" Meter	1,664,330	96	$2.07	$3,445	$12.16	$1,167	$4,613
1" Meter Irrigation	0	0	$2.07	$0	$30.32	$0	$0
Total Residential	236,990,744	15,814					$578,415
General Service							
5/8" Meter	753,000	48	$1.69	$1,273	$11.12	$534	$1,806
1" Meter	785,370	24	$1.69	$1,327	$27.79	$667	$1,994
1.5" Meter	620,992	12	$1.69	$1,049	$55.53	$666	$1,716
2" Meter	2,996,900	6	$1.69	$5,065	$88.92	$534	$5,598
3" Meter	2,704,450	6	$1.69	$4,571	$177.80	$1,067	$5,637
4" Meter	0	1	$1.69	$0	$277.83	$278	$278
5/8" Meter Irrigation	0	0	$1.69	$0	$11.12	$0	$0
1" Meter Irrigation	172,560	6	$1.69	$292	$27.79	$167	$458
1.5" Meter Irrigation	0	0	$1.69	$0	$55.53	$0	$0
2" Meter	1,046,670	6	$1.69	$1,769	$88.92	$534	$2,302
Total General Service	9,079,942	109					$19,791
Current Totals	**246,070,686**	**15,923**		**$416,492**		**$181,714**	**$598,205**
						per E-2:	**$598,205**
						E-2 understated:	**$0**

Current Cost Recovery	70% Gal Chg	30% BFC

Source: Utilities, Inc. of Florida, MFR Schedule E-2 (revised 3/25/03 = Lubertozzi Deposition Late Filed Exhibit No. 4).

UTILITIES, INC. OF FLORIDA: PROPOSED WATER RATE DESIGN

MARION COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Crownwood of Ocala							
5/8" Meter	2,265,650	854	$2.96	$6,706	$5.30	$4,526	$11,233
Golden Hills							
5/8" Meter	1,821,480	276	$2.96	$5,392	$5.30	$1,463	$6,854
1" Meter	36,581,293	4,090	$2.96	$108,281	$13.26	$54,233	$162,514
1" Meter Irrigation (Golden Hills)	44,250	58	$2.96	$131	$13.26	$769	$900
Total Residential	40,712,673	5,278					$181,501
General Service							
Crownwood of Ocala							
5/8" Meter	189,020	24	$2.96	$559	$5.30	$127	$687
5/8" Meter- Irrigation (Crownwood)	2,219,980	204	$2.96	$6,571	$5.30	$1,081	$7,652
1.5" Meter - Irrigation (Crownwood)	824,200	12	$2.96	$2,440	$26.51	$318	$2,758
Golden Hills							
5/8" Meter	0	12	$2.96	$0	$5.30	$64	$64
1" Meter	135,070	72	$2.96	$400	$13.26	$955	$1,355
1.5" Meter	33,350	14	$2.96	$99	$26.51	$371	$470
4" Meter	1,103,100	12	$2.96	$3,265	$132.59	$1,591	$4,856
Total General Service	4,504,720	350					$17,841
Proposed Totals	**45,217,393**	**5,628**		**$133,843**		**$65,499**	**$199,342**
						per E-2:	**$199,445**
						E-2 overstated:	**$103**

Proposed Cost Recovery	**67%**	**33%**
	Gal Chg	**BFC**

Proposed Percentage Increase in Monthly Service Revenues (recalculated) 31%

UTILITIES, INC. OF FLORIDA: PROPOSED WATER RATE DESIGN

ORANGE COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter	23,994,410	3,344	$3.94	$94,538	$11.67	$39,024	$133,562
5/8" Meter	4,175,360	520	$3.94	$16,451	$11.67	$6,068	$22,519
1" Meter	31,690	12	$3.94	$125	$29.10	$349	$474
Total Residential	28,201,460	3,876					$156,556
General Service							
5/8" Meter	303,970	24	$3.94	$1,198	$11.67	$280	$1,478
1" Meter	112,340	12	$3.94	$443	$29.10	$349	$792
Total General Service	416,310	36					$2,270
Proposed Totals	**28,617,770**	**3,912**		**$112,754**		**$46,071**	**$158,825**
						per E-2:	**$158,947**
						E-2 overstated:	**$122**
Proposed Cost Recovery				**71% Gal Chg**		**29% BFC**	
Proposed Percentage Increase in Monthly Service Revenues (recalculated)							**91%**

UTILITIES, INC. OF FLORIDA: PROPOSED WATER RATE DESIGN

PASCO COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter (1)	2,678,464	1,614	$1.21	$3,241	$12.78	$20,627	$23,868
Buena Vista							
5/8" Meter (2)	33,230,858	13,176	$1.21	$40,209	$12.78	$168,389	$208,599
Summertree/Paradise Point							
5/8" Meter	21,078,739	10,088	$1.21	$25,505	$12.78	$128,925	$154,430
Orangewood							
5/8" Meter	28,653,818	6,818	$1.21	$34,671	$12.78	$87,134	$121,805
1" Meter Irrigation	94,250	24	$1.21	$114	$25.00	$600	$714
Total Residential	85,736,129	31,720					$509,416
General Service							
Orangewood							
5/8" Meter	799,462	204	$1.21	$967	$12.78	$2,607	$3,574
1" Meter	1,306,797	84	$1.21	$1,581	$25.00	$2,100	$3,681
1.5" Meter	312,100	12	$1.21	$378	$32.50	$390	$768
2" Meter	101,900	12	$1.21	$123	$50.00	$600	$723
4" Meter	0	0	$1.21		$262.50		
5/8" Meter - Irrigation	0	0	$1.21		$12.78		
1.5" Meter - Irrigation	0	0	$1.21		$32.50		
Total General Service	2,520,259	312					$8,747
Commercial							
Summertree/Paradise Point							
5/8" Meter	3,409,470	68	$1.21	$4,125	$12.78	$869	$4,994
1" Meter	308,270	24	$1.21	$373	$25.00	$600	$973
2" Meter	20,896,040	240	$1.21	$25,284	$50.00	$12,000	$37,284
Total Commercial	24,613,780	332					$43,252
Current Totals	**112,870,168**	**32,364**		**$136,573**		**$424,841**	**$561,414**
						per E-2:	**$517,845**
						E-2 understated:	**($43,569)**
Proposed Cost Recovery				**24% Gal Chg**		**76% BFC**	
Proposed Percentage Increase in Monthly Service Revenues (recalculated)							**30%**

(1) Includes a 3 kgal allotment in the base facility charge.
(2) Includes a 5 kgal allotment in the base facility charge.

UTILITIES, INC. OF FLORIDA: PROPOSED WATER RATE DESIGN

PINELLAS COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter	20,932,458	6,032	$2.92	$61,123	$13.20	$79,622	$140,745
1" Meter	251,766	134	$2.92	$735	$33.00	$4,422	$5,157
Total Residential	21,184,224	6,166					$145,902
General Service							
5/8" Meter	1,660	24	$2.92	$5	$13.20	$317	$322
1" Meter	8,100	12	$2.92	$24	$33.00	$396	$420
2" Meter	1,681,100	48	$2.92	$4,909	$105.57	$5,067	$9,976
Total General Service	1,690,860	84					$10,717
Proposed Totals	**22,875,084**	**6,250**		**$66,795**		**$89,825**	**$156,620**
						per E-2:	**$156,556**
						E-2 understated:	**($64)**
Proposed Cost Recovery				**43% Gal Chg**		**57% BFC**	
Proposed Percentage Increase in Monthly Service Revenues (recalculated)							**183%**

UTILITIES, INC. OF FLORIDA: PROPOSED WATER RATE DESIGN

SEMINOLE COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter	232,737,914	31,154	$2.01	$467,803	$8.37	$260,759	$728,562
1" Meter	1,708,440	158	$2.01	$3,434	$19.04	$3,008	$6,442
1" Meter	0	0	$2.01	$0	$38.04	$0	$0
5/8" Meter Irrigation	880,060	124	$2.01	$1,769	$8.37	$1,038	$2,807
1" Meter Irrigation	0	0	$2.01	$0	$19.04	$0	$0
Oakland Shores							
5/8" Meter	1,664,330	192	$2.01	$3,345	$8.37	$1,607	$4,952
1" Meter Irrigation	0	0	$2.01	$0	$19.04	$0	$0
Total Residential	236,990,744	31,628					$742,764
General Service							
5/8" Meter	753,000	96	$2.01	$1,514	$8.37	$804	$2,317
1" Meter	785,370	48	$2.01	$1,579	$19.04	$914	$2,493
1.5" Meter	620,992	24	$2.01	$1,248	$38.04	$913	$2,161
2" Meter	2,996,900	12	$2.01	$6,024	$60.91	$731	$6,755
3" Meter	2,704,450	12	$2.01	$5,436	$121.79	$1,461	$6,897
4" Meter	0	2	$2.01	$0	$190.31	$381	$381
5/8" Meter Irrigation	0	0	$2.01	$0	$8.37	$0	$0
1" Meter Irrigation	172,560	12	$2.01	$347	$19.04	$228	$575
1.5" Meter Irrigation	0	0	$2.01	$0	$38.04	$0	$0
2" Meter	1,046,670	12	$2.01	$2,104	$60.91	$731	$2,835
Total General Service	9,079,942	218					$24,414
Current Totals	**246,070,686**	**31,846**		**$494,602**		**$272,575**	**$767,177**
						per E-2:	**$767,181**
						E-2 overstated:	**$4**

Proposed Cost Recovery	**64%**	**36%**
	Gal Chg	**BFC**

Proposed Percentage Increase in Monthly Service Revenues (recalculated) **28%**

Source: Utilities, Inc. of Florida, MFR Schedule E-2 (revised 3/25/03 = Lubertozzi Deposition Late Filed Exhibit No. 4).

UTILITIES, INC. OF FLORIDA: CURRENT WASTEWATER RATE DESIGN

MARION COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Bimonthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Bimonthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Crownwood of Ocala							
5/8" Meter (1)	1,995,000	427	$4.54	$9,057	$58.07	$24,796	$33,853
Total Residential	1,995,000	427					$33,853
General Service							
Crownwood of Ocala							
5/8" Meter	55,580	6	$5.46	$303	$58.07	$348	$652
2" Meter (2)	3,665,375	9	$5.46	$20,013	$464.51	$4,181	$24,194
2" Meter -- annualized/corrected (3)	1,719,240	-3	$5.46	$9,387	$464.51	($1,394)	$7,994
Total General Service	5,440,195	12					$32,839
Current Totals	**7,435,195**	**439**		**$38,761**		**$27,931**	**$66,692**
						per E-2:	**$58,699**
						E-2 understated:	**($7,993)**
Current Cost Recovery				**58% Gal Chg**		**42% BFC**	

(1) Adjusted for bi-monthly maximum of 20,000 gallons.
(2) Actual data per Marion County MFR Schedule E-2, p. 3.
(3) Adjustment results in total annualized revenue for 2" customer of $32,188 per Staff Audit Exception no. 17.

UTILITIES, INC. OF FLORIDA: CURRENT WASTEWATER RATE DESIGN

PASCO COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Wis-Bar							
5/8" Meter	0	1,614	$0.00	$0	$10.98	$17,722	$17,722
5/8" Meter (Water - 629)	0	324	$0.00	$0	$10.98	$3,558	$3,558
5/8" Meter Multi	0	12	$0.00	$0	$7.32	$88	$88
Summertree/Paradise Point							
5/8" Meter	21,841,299	10,088	$7.80	$170,362	$10.36	$104,512	$274,874
Total Residential	21,841,299	12,038					$296,241
Commercial							
Summertree/Paradise Point							
5/8" Meter	0	8	$8.17	$0	$10.36	$83	$83
1" Meter	308,270	24	$8.17	$2,519	$25.90	$622	$3,140
2" Meter	635,910	12	$8.17	$5,195	$82.90	$995	$6,190
Total Commercial	944,180	44					$9,413
Current Totals	**22,785,479**	**12,082**		**$178,076**		**$127,578**	**$305,654**
						per E-2:	**$285,769**
						E-2 understated:	**($19,885)**
Current Cost Recovery				**58% Gal Chg**		**42% BFC**	

UTILITIES, INC. OF FLORIDA: CURRENT WASTEWATER RATE DESIGN

SEMINOLE COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	Gallons	Bimonthly Billing Units	Rates per 1,000 gal	Gallonage Revenue	Bimonthly Base Charge	Base Chg. Revenues	Total Revenue
5/8" Meter (1)	96,914,000	8,549	$2.36	$228,717	$16.83	$143,880	$372,597
Flat Rate @ 15,000 gallons	0	6	$0.00	$0	$49.66	$298	$298
Total Residential	96,914,000	8,555					$372,895
General Service							
5/8" Meter	106,070	12	$2.81	$298	$16.83	$202	$500
1" Meter	280,910	18	$2.81	$789	$42.06	$757	$1,546
1.5" Meter	0	0	$2.81	$0	$84.19	$0	$0
2" Meter	2,996,900	6	$2.81	$8,421	$134.70	$808	$9,229
4" Meter	2,704,450	7	$2.81	$7,600	$420.91	$2,946	$10,546
Total General Service	6,088,330	43					$21,822
Current Totals	**103,002,330**	**8,598**		**$245,825**		**$148,891**	**$394,716**
						per E-2:	**$394,716**
						E-2 understated:	**($0)**

Current Cost Recovery	**62%**	**38%**
	Gal Chg	**BFC**

(1) Adjusted for bi-monthly maximum of 20,000 gallons.

Source: Utilities, Inc. of Florida, MFR Schedule No. E-2 (revised 3/25/03 = Lubertozzi Deposition Late Filed Exhibit No. 4).

UTILITIES, INC. OF FLORIDA: PROPOSED WASTEWATER RATE DESIGN

MARION COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Crownwood of Ocala							
5/8" Meter (1)	1,995,000	854	$5.01	$9,995	$31.07	$26,534	$36,529
Total Residential	1,995,000	854					$36,529
General Service							
Crownwood of Ocala							
5/8" Meter	55,580	12	$6.02	$335	$31.07	$373	$707
2" Meter (2)	3,665,375	18	$6.02	$22,066	$248.51	$4,473	$26,539
2" Meter -- annualized/corrected (3)	1,719,240	-6	$6.02	$10,350	$248.51	($1,491)	$8,859
Total General Service	5,440,195	24					$36,105
Current Totals	**7,435,195**	**878**		**$42,745**		**$29,889**	**$72,634**
						per E-2:	**$63,789**
						E-2 understated:	**($8,845)**
Current Cost Recovery				**59% Gal Chg**		**41% BFC**	
Proposed Percentage Increase in Monthly Service Revenues (recalculated)							**9%**

(1) Adjusted for monthly maximum of 10,000 gallons..
(2) Actual data per Marion County MFR Schedule E-2, p. 4.
(3) Additional annualized gallons sold from Staff Audit Exception no. 17.

UTILITIES, INC. OF FLORIDA: PROPOSED WASTEWATER RATE DESIGN

PASCO COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
Wis-Bar							
5/8" Meter	0	1,614	$0.00	$0	$22.51	$36,331	$36,331
5/8" Meter (Water - 629)	0	324	$0.00	$0	$22.51	$7,293	$7,293
5/8" Meter Multi	0	12	$0.00	$0	$22.51	$270	$270
Summertree/Paradise Point							
5/8" Meter	21,841,299	10,088	$4.41	$96,320	$22.51	$227,081	$323,401
Total Residential	21,841,299	12,038					$367,296
Commercial							
Summertree/Paradise Point							
5/8" Meter	0	8	$4.41	$0	$22.51	$180	$180
1" Meter	308,270	24	$4.41	$1,359	$45.25	$1,086	$2,445
2" Meter	635,910	12	$4.41	$2,804	$112.50	$1,350	$4,154
Total Commercial	944,180	44					$6,780
Current Totals	**22,785,479**	**12,082**		**$100,484**		**$273,591**	**$374,075**
						per E-2:	**$362,832**
						E-2 understated:	**($11,243)**

Current Cost Recovery	**27%**	**73%**
	Gal Chg	**BFC**

Proposed Percentage Increase in Monthly Service Revenues (recalculated) **22%**

UTILITIES, INC. OF FLORIDA: PROPOSED WASTEWATER RATE DESIGN

SEMINOLE COUNTY

(a)	(b)	(c)	(d)	(e)=[(b)/1000] x(d)	(f)	(g)=(c)x(f)	(h)=(e)+(g)
Residential	**Gallons**	**Monthly Billing Units**	**Rates per 1,000 gal**	**Gallonage Revenue**	**Monthly Base Charge**	**Base Chg. Revenues**	**Total Revenue**
5/8" Meter (1)	96,914,000	17,098	$5.02	$486,508	$18.93	$323,665	$810,173
Flat Rate @ 15,000 gallons	0	12	$0.00	$0	$55.87	$670	$670
Total Residential	96,914,000	17,110					$810,844
General Service							
5/8" Meter	106,070	24	$5.02	$532	$18.93	$454	$987
1" Meter	280,910	36	$5.02	$1,410	$47.32	$1,704	$3,114
1.5" Meter	0	0	$5.02	$0	$94.71	$0	$0
2" Meter	2,996,900	12	$5.02	$15,044	$151.54	$1,818	$16,863
4" Meter	2,704,450	14	$5.02	$13,576	$473.52	$6,629	$20,206
Total General Service	6,088,330	86					$41,169
Current Totals	**103,002,330**	**17,196**		**$517,072**		**$334,941**	**$852,013**
						per E-2:	**$852,078**
						E-2 overstated:	**$65**
Current Cost Recovery				**61% Gal Chg**		**39% BFC**	
Proposed Percentage Increase in Monthly Service Revenues (recalculated)							**116%**

(1) Adjusted for monthly maximum of 10,000 gallons.

Source: Utilities, Inc. of Florida, MFR Schedule No. E-2 (revised 3/25/03 = Lubertozzi Deposition Late Filed Exhibit No. 4)

UTILITIES, INC. OF FLORIDA
DOCKET NO. 020071-WS
HISTORICAL TEST YEAR ENDED DECEMBER 31, 2001

EXH FJL - 5

UTILITIES, INC. OF FLORIDA:

PROPOSED BASE FACILITY CHARGE DIFFERENTIALS (1)

	Proposed BFC Rates per MFRs	Recalc Proposed BFC Rates Based on ERCs per F.A.C. (2)	Difference: BFCs per MFRs less BFCs per F.A.C.	ERC Differential per F.A.C.	ERC Differential per MFRs
MARION					
Water:					
5/8"	5.30	5.30	0.00	1.0	
1"	13.26	13.25	0.01	2.5	2.5
1.5"	26.51	26.50	0.01	5.0	5.0
4"	132.59	132.50	0.09	25.0	25.0
W-water					
5/8"	31.07	31.07	0.00	1.0	
2"	248.51	248.56	(0.05)	8.0	8.0
ORANGE					
Water					
5/8"	11.67	11.67	0.00	1.0	
1"	29.10	29.18	(0.07)	2.5	2.5
PASCO					
Water					
5/8"	12.78	12.78	0.00	1.0	
1"	25.00	31.95	(6.95)	2.5	2.0
1.5"	32.50	63.90	(31.40)	5.0	2.5
2"	50.00	102.24	(52.24)	8.0	3.9
4"	262.50	319.50	(57.00)	25.0	20.5
W-water					
5/8"	22.51	22.51	0.00	1.0	
1"	45.25	56.28	(11.03)	2.5	2.0
2"	112.50	180.08	(67.58)	8.0	5.0
PINELLAS					
Water					
5/8"	13.20	13.20	0.00	1.0	
1"	33.00	33.00	0.00	2.5	2.5
2"	105.57	105.60	(0.03)	8.0	8.0
SEMINOLE					
Water					
5/8"	8.37	8.37	0.00	1.0	
1"	19.04	20.93	(1.88)	2.5	2.3
1.5"	38.04	41.85	(3.81)	5.0	4.5
2"	60.91	66.96	(6.05)	8.0	7.3
3"	121.79	133.92	(12.13)	16.0	14.6
4"	190.31	209.25	(18.94)	25.0	22.7
W-water					
5/8"	18.93	18.93	0.00	1.0	
1"	47.32	47.33	(0.01)	2.5	2.5
1.5"	94.71	94.65	0.06	5.0	5.0
2"	151.54	151.44	0.10	8.0	8.0
4"	473.52	473.25	0.27	25.0	25.0

(1) Based upon the assumption that the 5/8" meter BFCs in the MFRs have been correctly calculated by UIF.
(2) F.A.C. = Rule 25-30.110, Florida Administrative Code.

Source: Utilities, Inc. of Florida, MFR Schedule E-2 (revised 3/25/03 = Lubertozzi Deposition Late Filed Exhibit no. 4).

UTILITIES, INC. OF FLORIDA
DOCKET NO. 020071-WS
HISTORICAL TEST YEAR ENDED DECEMBER 31, 2001

EXH FJL - 6

UTILITIES, INC. OF FLORIDA: INCREASE IN WATER SYSTEM COST PER CUSTOMER PER MONTH DUE TO CHANGE TO MONTHLY BILLING

	Total Additional Annual Costs	Total Additional Monthly Costs	Number of Water Customers	Addl Water Monthly Cost per Customer	Current Water Rates per Kgal
Marion	$512	$43	469	$0.09	$2.25
Orange	$441	$37	326	$0.11	$2.07
Pasco	N/A (1)	N/A	N/A	N/A	N/A
Pinellas	$706	$59	521	$0.11	$1.07
Seminole	$5,531	$461	2,654	$0.17	$1.69

(1) No data provided -- three out of four systems already bill monthly.

Sources: Utilities, Inc. of Florida, MFR Schedule E-2 (revised 3/25/03 = Lubertozzi Depositon Late Filed Exhibit no. 4); response to staff's second set of interrogatories, no. 55.

UTILITIES, INC. OF FLORIDA: ANALYSIS OF REQUESTED RATE DESIGN

WATER SYSTEM -- MARION COUNTY

(000) Cons Ending	Price Current (1) Monthly Equiv	Price Requested (2) Monthly	Difference Amount	Difference Percent
0	$4.08	$5.30	$1.22	29.9%
1	6.33	8.26	1.93	30.5%
2	8.58	11.22	2.64	30.8%
3	10.83	14.18	3.35	30.9%
4	13.08	17.14	4.06	31.0%
5	15.33	20.10	4.77	31.1%
6	17.58	23.06	5.48	31.2%
7	19.83	26.02	6.19	31.2%
8	22.08	28.98	6.90	31.3%
9	24.33	31.94	7.61	31.3%
10	26.58	34.90	8.32	31.3%
15	37.83	49.70	11.87	31.4%
20	49.08	64.50	15.42	31.4%
25	60.33	79.30	18.97	31.4%
30	71.58	94.10	22.52	31.5%
35	82.83	108.90	26.07	31.5%

(1) Current price = Bi-monthly 5/8" BFC of $8.16/2 plus $2.25 per kgal.
(2) Requested price = Monthly 5/8" BFC of $5.30 plus $2.96 per kgal.

UTILITIES, INC. OF FLORIDA: ANALYSIS OF REQUESTED RATE DESIGN

WATER SYSTEM -- ORANGE COUNTY

(000) Cons Ending	Price Current (1) Monthly Equiv	Price Requested (2) Monthly	Difference Amount	Difference Percent
0	$6.08	$11.67	$5.59	91.9%
1	8.15	15.61	7.46	91.5%
2	10.22	19.55	9.33	91.3%
3	12.29	23.49	11.20	91.1%
4	14.36	27.43	13.07	91.0%
5	16.43	31.37	14.94	90.9%
6	18.50	35.31	16.81	90.9%
7	20.57	39.25	18.68	90.8%
8	22.64	43.19	20.55	90.8%
9	24.71	47.13	22.42	90.7%
10	26.78	51.07	24.29	90.7%
15	37.13	70.77	33.64	90.6%
20	47.48	90.47	42.99	90.5%
25	57.83	110.17	52.34	90.5%
30	68.18	129.87	61.69	90.5%
35	78.53	149.57	71.04	90.5%

(1) Current price = Bi-monthly 5/8" BFC of $12.16/2 plus $2.07 per kgal.
(2) Requested price =Monthly 5/8" BFC of $11.67 plus $3.94 per kgal.

UTILITIES, INC. OF FLORIDA: ANALYSIS OF REQUESTED RATE DESIGN

WATER SYSTEM -- PINELLAS COUNTY

(000) Cons Ending	Price Current (1) Monthly Equiv	Price Requested (2) Monthly	Difference Amount	Difference Percent
0	$4.55	$13.20	$8.65	190.1%
1	5.62	16.12	10.50	186.8%
2	6.69	19.04	12.35	184.6%
3	7.76	21.96	14.20	183.0%
4	8.83	24.88	16.05	181.8%
5	9.90	27.80	17.90	180.8%
6	10.97	30.72	19.75	180.0%
7	12.04	33.64	21.60	179.4%
8	13.11	36.56	23.45	178.9%
9	14.18	39.48	25.30	178.4%
10	15.25	42.40	27.15	178.0%
15	20.60	57.00	36.40	176.7%
20	25.95	71.60	45.65	175.9%
25	31.30	86.20	54.90	175.4%
30	36.65	100.80	64.15	175.0%
35	42.00	115.40	73.40	174.8%

(1) Current price = Bi-monthly 5/8" BFC of $9.10/2 plus $1.07 per kgal.
(2) Requested price = Monthly 5/8" BFC of $13.20 plus $2.92 per kgal.

Source: Utilities, Inc. of Florida, MFR Schedule E-1 (revised 2/17/03).

UTILITIES, INC. OF FLORIDA
ILLUSTRATIVE WATER RATE DESIGN
MARION COUNTY -- BASED UPON UTILITY'S REQUESTED REVENUES FROM RATES OF $199,342

Blocks: **All kgals**

% PRICE INCREASES AT VARYING CONSUMPTION LEVELS (1)

(000) Cons Ending	Illustrative BFC% Recovery Levels :BFC @ 33%	BFC @ 30%	BFC @ 27%	BFC @ 25%
0	30%	17%	8%	0%
1	31%	25%	20%	16%
2	31%	28%	26%	24%
3	31%	30%	30%	29%
4	31%	32%	32%	32%
5	31%	33%	33%	34%
6	31%	33%	35%	36%
7	31%	34%	36%	37%
8	31%	34%	36%	38%
9	31%	35%	37%	39%
10	31%	35%	37%	39%
15	31%	36%	39%	41%
20	31%	37%	40%	42%
25	31%	37%	40%	43%
30	32%	37%	41%	44%
35	32%	37%	41%	44%

(1) Before a repression adjustment.

UTILITIES, INC. OF FLORIDA
ILLUSTRATIVE WATER RATE DESIGN
ORANGE COUNTY -- BASED UPON UTILITY'S REQUESTED REVENUES FROM RATES OF $158,825

Blocks:	0 - 10 kgal
	10 - 20 kgal
	20 + kgal

BFC = 29% Gal = 71%

% PRICE INCREASES AT VARYING CONSUMPTION LEVELS (1)

(000) Cons Ending	Illustrative Usage Block Rate Factors			
	1.0/1.0/1.0	1.0/1.25/1.5	1.0/1.25/2.0	1.0/1.5/2.0
0	92%	92%	92%	92%
1	92%	89%	88%	87%
2	91%	87%	86%	84%
3	91%	86%	85%	82%
4	91%	85%	84%	80%
5	91%	85%	83%	79%
6	91%	84%	82%	79%
7	91%	84%	82%	78%
8	91%	84%	82%	77%
9	91%	83%	81%	77%
10	91%	83%	81%	77%
15	91%	95%	93%	99%
20	91%	102%	99%	112%
25	91%	114%	127%	136%
30	91%	123%	147%	152%
35	91%	129%	161%	164%

(1) Before a repression adjustment.

UTILITIES, INC. OF FLORIDA
ILLUSTRATIVE WATER RATE DESIGN
ORANGE COUNTY -- BASED UPON UTILITY'S REQUESTED REVENUES FROM RATES OF $158,825

Blocks:	0 - 10 kgal
	10 - 20 kgal
	20 + kgal

BFC = 25% **Gal = 75%**

% PRICE INCREASES AT VARYING CONSUMPTION LEVELS (1)

(000) Cons Ending	Illustrative Usage Block Rate Factors			
	1.0/1.0/1.0	1.0/1.25/1.5	1.0/1.25/2.0	1.0/1.5/2.0
0	63%	63%	63%	63%
1	73%	70%	70%	68%
2	79%	75%	74%	71%
3	83%	78%	76%	73%
4	86%	80%	78%	74%
5	88%	81%	79%	75%
6	89%	82%	80%	76%
7	91%	83%	81%	77%
8	92%	84%	82%	77%
9	92%	85%	83%	78%
10	93%	85%	83%	78%
15	96%	101%	98%	105%
20	97%	109%	106%	120%
25	98%	123%	137%	146%
30	99%	133%	158%	164%
35	99%	140%	174%	177%

(1) Before a repression adjustment.

UTILITIES, INC. OF FLORIDA
ILLUSTRATIVE WATER RATE DESIGN
ORANGE COUNTY -- BASED UPON UTILITY'S REQUESTED REVENUES FROM RATES OF $158,825

Blocks:	0 - 8 kgal
	8 - 16 kgal
	16 + kgal

BFC = 29% Gal = 71%

% PRICE INCREASES AT VARYING CONSUMPTION LEVELS (1)

(000) Cons Ending	Illustrative Usage Block Rate Factors			
	1.0/1.0/1.0	1.0/1.25/1.5	1.0/1.25/2.0	1.0/1.5/2.0
0	92%	92%	92%	92%
1	92%	88%	87%	85%
2	91%	86%	84%	81%
3	91%	84%	81%	78%
4	91%	83%	80%	76%
5	91%	82%	79%	74%
6	91%	82%	78%	73%
7	91%	81%	77%	72%
8	91%	81%	77%	71%
9	91%	84%	80%	78%
10	91%	87%	82%	83%
15	91%	96%	91%	100%
20	91%	109%	118%	125%
25	91%	119%	141%	143%
30	91%	126%	156%	156%
35	91%	131%	167%	165%

(1) Before a repression adjustment.

UTILITIES, INC. OF FLORIDA
ILLUSTRATIVE WATER RATE DESIGN
ORANGE COUNTY -- BASED UPON UTILITY'S REQUESTED REVENUES FROM RATES OF $158,825

Blocks:	0-8 Kgal
	8-16 Kgal
	16+ Kgal

BFC = 25% Gal = 75%

% PRICE INCREASES AT VARYING CONSUMPTION LEVELS (1)

(000) Cons Ending	Illustrative Usage Block Rate Factors			
	1.0/1.0/1.0	1.0/1.25/1.5	1.0/1.25/2.0	1.0/1.5/2.0
0	63%	63%	63%	63%
1	73%	69%	68%	66%
2	79%	73%	71%	68%
3	83%	75%	73%	69%
4	86%	77%	74%	69%
5	88%	78%	75%	70%
6	89%	79%	76%	70%
7	91%	80%	76%	71%
8	92%	81%	77%	71%
9	92%	85%	81%	79%
10	93%	89%	85%	85%
15	96%	101%	96%	106%
20	97%	117%	127%	133%
25	98%	128%	151%	154%
30	99%	136%	168%	168%
35	99%	142%	181%	179%

(1) Before a repression adjustment.

UTILITIES, INC. OF FLORIDA
ILLUSTRATIVE WATER RATE DESIGN
PINELLAS COUNTY -- BASED UPON UTILITY'S REQUESTED REVENUES FROM RATES OF $156,620

Blocks:	All kgals

% PRICE INCREASES AT VARYING CONSUMPTION LEVELS (1)

(000) Cons Ending	Illustrative BFC% Recovery Levels :BFC @ 57%	BFC @ 50%	BFC @ 40%	BFC @ 30%
0	190%	152%	103%	54%
1	187%	165%	137%	109%
2	185%	174%	161%	147%
3	183%	181%	178%	175%
4	182%	185%	190%	195%
5	181%	189%	200%	212%
6	180%	192%	209%	225%
7	179%	195%	215%	236%
8	179%	197%	221%	245%
9	178%	199%	225%	252%
10	178%	200%	229%	259%
15	177%	206%	243%	281%
20	176%	209%	252%	295%
25	175%	211%	257%	303%
30	175%	212%	261%	310%
35	175%	213%	264%	314%

(1) Before a repression adjustment.

Source: Utilities, Inc. of Florida, MFR Schedules E-2 (revised 3/25/03 = Lubertozzi Deposition Late Filed Exhibit no. 4) and E-14 (revised 2/04/03).

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.	DOCKET NO. 020071-WS FILED: June 16, 2003

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Frances J. Lingo has been furnished to **Martin S. Friedman, Esquire**, Rose, Sundstrom & Bentley, LLP, 600 S. North Lake Blvd., Ste. 160, Altamonte Springs, Florida 32701, and **Stephen Burgess, Esquire**, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison St., Room 812, Tallahassee, Florida 32399-1400, by U.S. Mail, this 16th day of June.

LORENA A. HOLLEY, SENIOR ATTORNEY

FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone No. (850) 413-6185

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